

BEFORE THE IDAHO BOARD OF TAX APPEALS

RICHARD MULL TRUST,)	
)	
Appellant,)	APPEAL NO. 21-A-1124
)	
v.)	FINAL DECISION AND ORDER
)	
BLAINE COUNTY,)	
)	
Respondent.)	
)	
_____)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Blaine County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. RPS04500000030. The appeal concerns the 2021 tax year.

This matter came on for telephonic hearing Monday, December 6, 2021, before Board Member Leland Heinrich. Trustee Richard Mull appeared at hearing for Appellant. County Assessor Jim Williams represented Respondent.

Board Members Leland Heinrich, David Kinghorn, and Kenneth Nuhn join in issuing this decision.

The issue on appeal concerns the market value of an improved residential property.

The decision of the Blaine County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$2,544,374, and the improvements' value is \$4,515,301, totaling \$7,059,675. Appellant does not dispute the land value, but contends the correct improvements' value is \$3,655,626, totaling \$6,200,000.

The subject property is a .48 acre residential parcel located in the Prospector #2 subdivision in Sun Valley, Idaho. Subject is improved with a 5,736 square foot residence which was built in 1998 and remodeled in 2012. Subject also includes a 1,498 square foot garage.

Appellant purchased subject in 2012 for \$5,255,000. Appellant described subject's residence as "a craftsman style wood shingle and river rock house" which "has had only **one small improvement** costing less than \$300k in 2013" (emphasis in original). In 2021, the assessed value increased to \$7,059,675 from the 2020 valuation of \$5,036,835, an approximate 40% increase. Appellant stated the average value increase in Sun Valley was 23%. During the global COVID-19 pandemic, there was an increased amount of market activity, mostly for properties in the median price range. Appellant claimed the county saw an increase in valuations based on a "theory" the pandemic increased demand and sale prices. Appellant stated the recent market changes' effect on values is "difficult to determine" because it is not clear if they are permanent. Overall, Appellant was concerned Respondent jumped to conclusions when raising assessed values in Sun Valley.

While sales volume and prices did increase in the area during 2020, Appellant stated there were no sales of properties in excess of \$6,000,000. Appellant stated sales above \$5,000,000 were also sparse. Appellant believed this "[undercut] the general rationale for increased valuations at those higher price points" and that a property with a valuation of over \$6,000,000 is "susceptible to arbitrary and/or speculative increases." Overall, Appellant believed it was impossible for Respondent to demonstrate subject is

fairly and accurately assessed at more than \$6,000,000 if there were no comparable properties which sold in that price range.

Appellant asserted comparing price per square foot of recent sales and assessed value per square foot of existing residences was the best method for determining subject's market value. Appellant provided information on a total of six (6) comparable properties. Five (5) regarded property assessment comparisons, and one (1) was a sale which occurred in 2015. Appellant generally shared location, improvement assessed value, total assessment, improvement value per square foot, and total assessed value per square foot for each property. Other information such as square footage, percentage increase in value, and remodel date was inconsistently provided. Overall, the 2021 assessments of Appellant's provided properties ranged from \$4,350,000 to \$12,850,000, or roughly \$712 to \$1,389 per square foot. Appellant is requesting a value of \$6,200,000 for subject, or an approximate rate of \$1,080 per square foot.

The one (1) sale Appellant shared transpired in 2015. It involved an 8,000 square foot residence which sold for approximately \$2,600,000 more than subject did in 2012. Appellant shared the property's residence is currently assessed at approximately \$5,200,000, or \$650 per square foot compared to subject's \$787 per square foot. The sale property was assessed at \$1,040 per square foot for 2021, where subject is assessed at \$1,225 per square foot.

Based on rate comparisons, Appellant requested an assessed value of \$3,655,626 for subject's residence. Factoring in the uncontested \$2,544,374 value of the land, the new total assessment of \$6,200,000 would result in the 23% increase in total value from 2020 which Appellant stated was average in the county. Appellant's price-per-square-foot

value request is \$1,080, which Appellant pointed out would still be higher than the assessment rates of most of the comparable properties.

Respondent stated the average value increase from 2020 to 2021 for properties in Sun Valley was much higher than 23%. Respondent iterated it can only work with known sales when assessing property; it cannot disregard certain sales based on the prospective nature of what will or will not happen with the pandemic and the market in general. Respondent stated it cannot speculate buyers' motives or predict what will happen next year; it must reflect the current year's market. Using sales is not only the best way, but it is the only way assessors have to value properties each year, and Respondent claimed using a per-square-footage rate comparison of existing residences is not a valid method to use. Respondent testified the sales comparison approach, which it utilized, is widely recognized as the best approach to use for residential properties. Respondent stated the approach does a good job of showing actual sales prices and adjusts values based on different attributes of residences when compared to subject.

Respondent shared information on three (3) sales which occurred during 2020. Sale No. 1 involved a .64 acre property which sold in October 2020 for \$6,000,000, or a time-adjusted rate of \$1,562 per square foot. The property was improved with a 4,073 square foot residence built in 1976 and remodeled in 2017 and a 628 square foot garage. Respondent adjusted for time, acreage, location, class, build or remodel year, residence square footage, and garage square footage. The adjusted sale price for Sale No. 1 was \$8,315,300. Sale No. 2 was a .51 acre parcel which sold in November 2020 for \$5,400,000, or a time-adjusted rate of \$1,362 per square foot. The property was improved with a 4,124 square foot residence built in 1972 and remodeled in 2019 and a 552 square

foot garage. After adjusting for differences, Respondent reported an adjusted sale price of \$8,060,900. Sale No. 3 regarded a .90 acre property which sold in July 2020 for \$5,875,000, or a time-adjusted rate of \$995 per square foot. The property included a 6,611 square foot residence built in 2006 and remodeled in 2020 and an 816 square foot garage. The adjusted sale price for Sale No. 3 was \$6,975,600. In comparison, subject is assessed at \$7,059,675, or \$1,225 per square foot.

Appellant voiced many concerns with Respondent's sales comparison analysis. Appellant questioned why Respondent adjusted for square footage if comparing price per square foot is not a valuation technique. Respondent explained square footage is a unit of comparison, not a valuation method. Additionally, in its sales analysis, Respondent applied an upward adjustment to the sales for location, as subject has a superior location and view due to its higher elevation. Appellant was concerned with this, because the view could be obstructed in the future. Lastly, Appellant was concerned Respondent's comparable properties were superior to subject and the condition and level of updating of the residences were not considered. However, Respondent argued these factors were taken into account, as evidenced by the adjustments applied to the sale properties in its analysis.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of market value in fee simple interest or, as applicable, a property's exempt status. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence submitted by the parties, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2021, in this case. Market value is always estimated as of a precise point in time. Idaho Code § 63-201 provides the following definition,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. There are three (3) approaches to value: the sales comparison approach, the cost approach, and the income approach. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). The sales comparison approach is commonly used in the valuation of a residential property. In general terms, the approach examines recent sales of similar property, and considers the differences in property characteristics between subject and the sale properties.

Instead of comparing sales to subject, Appellant focused its analysis on a comparison of assessed values. Appellant provided 2021 assessment information for six (6) properties and limited information for one (1) of the property’s 2015 sale. The assessments ranged from \$4,350,000 to \$12,850,000, or \$712 to \$1,389 per square foot. Appellant requested an assessed value of \$6,200,000, or \$1,080 per square foot.

Respondent, on the other hand, performed a traditional sales comparison analysis. Respondent shared information regarding three (3) comparable sales which transpired in 2020. Adjustments were made for differences between subject and the sales including location, residence size, lot size, and time. Respondent reported adjusted sale prices of \$8,315,300, \$8,060,900, and \$6,975,600. Time-adjusted per-square-foot rates were

\$1,562, \$1,362, and \$995, respectively. For 2021, subject was assessed at \$7,059,675, or \$1,225 per square foot.

Respondent correctly pointed out a comparison of assessed values is not a recognized appraisal method. As Respondent is required to reflect the market by assessing a property's market value each year, the sales comparison approach was the best method to determine subject's value in this instance. And even if it is true market changes happening currently are due to the pandemic situation as claimed by Appellant, Respondent is required to reflect the market as it currently exists in its valuations, despite potential uncertainty regarding the future. When and if the market changes in the future, market value assessments will follow suit, as required in Idaho Code.

In accordance with Idaho Code § 63-511, the burden is with Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. In this instance, the Board does not find the burden of proof satisfied. A comparison of assessed values is not a recognized appraisal approach which would yield a market-supported value result. Where Respondent offered the only recent market data in record, the Board will uphold the subject's current assessment. The decision of the Blaine County Board of Equalization is affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Blaine County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 22nd day of March, 2022.

NOTICE OF APPEAL PRIVILEGES

Enclosed is a Final Decision and Order of the Idaho State Board of Tax Appeals concerning an appeal.

Motion for reconsideration of the hearing record or motion for rehearing the appeal (with good cause detailed) may be made by filing such motion with the Clerk of the Board within ten (10) days of mailing of the Final Decision and Order, with a copy of the motion being sent to all other parties to the proceeding before the Board.

According to Idaho Code § 63-3812, either party can appeal to the district court from this decision. Pursuant to Idaho Code § 63-3812, the appeal shall be taken and perfected in accordance with Rule 84 of the Idaho Rules of Civil Procedure.

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